



May 30, 2019

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Industrial Power Agreement with Interruptible Service and Economic Development Rider
between East Kentucky Power Cooperative, Inc., Fleming-Mason Energy Cooperative,
and AppHarvest Morehead Farm, LLC

Dear Ms. Pinson:

Please find enclosed for filing with the Commission, via the electronic tariff filing system, the above-referenced special contract.

In Case No. 2016-00316, East Kentucky Power Cooperative, Inc. ("EKPC") sought clarification that it could seek Commission approval of future Industrial Power Agreements with Economic Development Riders ("EDR special contract") utilizing the Commission's electronic tariff filing system. EKPC indicated it would only use the electronic tariff filing system if the EDR special contract was based on existing rate tariffs, the EKPC and Member cooperative's EDR tariff, and included the same early termination clause included in the EDR special contract submitted for approval in Case No. 2016-00316. In its November 11, 2016 Order in Case No. 2016-00316 the Commission approved EKPC's request, but reminded EKPC that if it found further investigation was needed to determine the reasonableness of the proposed EDR special contract, the Commission would establish a formal proceeding to conduct the inquiry.

AppHarvest Morehead Farm, LLC ("AppHarvest") is a new customer of Fleming-Mason Energy Cooperative ("Fleming-Mason"). AppHarvest is a Delaware corporation that engages in building and operating large scale, high-tech hydroponic greenhouses, combining conventional agricultural techniques with current technology to grow non-genetically modified produce to be distributed to major grocers in the United States. It has acquired a 366 acre site near Morehead in Rowan County, Kentucky and building its first greenhouse on 130 acres of that site. AppHarvest is making a capital investment of approximately \$77,000,000 and intends to employ approximately 285 employees

AppHarvest has requested and Fleming-Mason and EKPC have agreed to enter into an EDR special contract which also includes interruptible service.

The EDR special contract between EKPC, Fleming-Mason, and AppHarvest is for an initial term of 10 years with an EDR discount period of five years. The EDR special contract acknowledges that the Agreement is not effective until Commission approval is received. Consequently, the discount period will not begin until the effective date and AppHarvest will not be billed at the reduced demand charges until that time. EKPC requests that the Commission approve this EDR special contract and make the effective date July 1, 2019.

The EDR special contract between EKPC, Fleming-Mason, and AppHarvest also includes provisions where AppHarvest will be an interruptible customer of EKPC and Fleming-Mason, pursuant to the provisions of Fleming-Mason's Interruptible Rider. AppHarvest has designated 7,130 kW as its Firm Load, with the balance being Interruptible Demand; however, Interruptible Demand shall not exceed 20,000 kW. Given AppHarvest's expected load profile, demand will likely exceed the Firm Load level only during the months of October through March. The inclusion of interruptible service will impact the application of the EDR discount. Pursuant to the provisions of Fleming-Mason's EDR tariff, the EDR discount is applied to the total demand charge, which is the sum of all demand charges including any credits provided under any other demand-related rider. For that portion of the monthly demand that exceeds the Firm Load levels, the EDR discount will be applied to a net demand charge that reflects the applicable demand charge less the interruptible service credit. When the monthly demand is less than the Firm Load levels, the EDR discount will be applied to the applicable demand charge.

The interruptible service provisions in the EDR special contract are consistent with other industrial power agreements with interruptible service that EKPC has entered into with other Member Cooperatives and retail customers. The EDR special contract between EKPC, Fleming-Mason, and AppHarvest is essentially the same as the EDR special contract the Commission approved in Case No. 2016-00316 with the exception of contract demand. The initial contract demand for the EDR special contract in Case No. 2016-00316 was set at 600 kW.¹ For this contract, EKPC, Fleming-Mason, and AppHarvest have agreed that AppHarvest's expected load and unique energy use profile warrants a two-level contract demand. The contract demand for the months of October through March will be 27,130 kW and for the months of April through September will be 1,430 kW.

¹ EKPC has one other EDR special contract which had an initial contract demand of 650 kW.

Ms. Pinson
May 30, 2019
Page Three

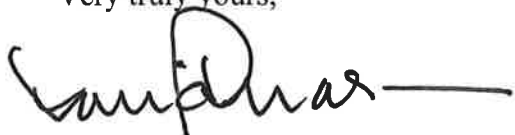
The EDR discount will be applied to the demand charges as stated in EKPC's Rate Section B and the resulting reduction will be passed through to AppHarvest without any revision or adjustment by Fleming-Mason. Fleming-Mason's EDR tariff provides that the discount will not be smaller than the amount calculated from the EKPC rate schedules. The demand charges in Fleming-Mason's Schedule LIS 6B – Large Industrial Service – are the same as EKPC's Rate Section B.²

EKPC is including the following information in conjunction with the submission of this EDR special contract:

- AppHarvest's Request for Service under the EDR Tariff;
- The EDR special contract including interruptible service between EKPC, Fleming-Mason, and AppHarvest;
- Background material and EKPC's Compliance with the Commission September 24, 1990 Order in Administrative Case No. 327; and
- A Marginal Cost Analysis.

Copies of the information listed above have been provided to the Kentucky Cabinet for Economic Development and the Office of the Attorney General. Please contact me if you have any questions.

Very truly yours,



David Smart
General Counsel

Enclosures

² In Case No. 2016-00316 the Member Cooperative's contract demand rate was lower than EKPC's Rate Section B, so consistent with the EDR tariff, the discount amount provided to the Member Cooperative and retail customer were based on the EKPC rate.